**Sample document only**

**Clients must consult legal counsel**

**Split Dollar Agreement for Tax-Exempt Organizations**

**Endorsement Method**

This sample agreement has been prepared as a guide to assist attorneys. **As a sample agreement, this document cannot be used as a final draft without modification and consultation with the client’s attorney.** Clients must seek legal counsel to modify the agreement for the client’s particular circumstances. The client’s attorney will necessarily be responsible for the actual agreement. The use of this agreement does not create an attorney-client relationship between the client and Principal Financial Group or any Principal employee.

In this sample agreement, the employer owns a life insurance policy on the key employee’s life and pays all policy premiums. Generally, the key employee is taxed on the economic benefit provided, based on the amount of death benefit “endorsed” to the key employee by the employer.

This sample agreement assumes that life insurance issued by Principal National Life Insurance Company or Principal Life Insurance Company is used.

Endorsement Split Dollar Benefit Instructions (Form [DD914E](https://advisors.principal.com/publicvsupply/GetFile?fm=DD914E-2&ty=PDF&requestFromPortal=true&JSPPageURLBase=/wps/myportal/advisor/forms-materials/all-forms-materials/virtual-supply/)) must be completed and submitted to Principal Financial Group® with a copy attached to, and incorporated by reference into, the executed Endorsement Split Dollar Agreement, as described at Section 5 of the Agreement. Furthermore, the Beneficiary section of the life insurance application should be completed to read as follows: “Refer to Endorsement Split Dollar Benefit Instructions.”

**Sample document only**

**Clients must consult legal counsel**

**Resolution Authorizing Endorsement Split Dollar Program**

I, (Name) , Secretary of (Name of Organization) , an organization duly organized and existing under and by virtue of the laws of the State [Commonwealth] of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_,

**Do hereby certify:**

That on the day of \_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_, a meeting of the Board of Directors of said Organization was duly called and held at (Address) , at which a quorum was present, and the following resolution was unanimously adopted by said Board of Directors, to-wit:

**Whereas**, the establishment of an endorsement split dollar life insurance program which provides certain key employees with life insurance benefits will advance the best interests of the organization by enhancing its relationship with its key employees; and

**Whereas**, it is the desire of the organization to establish such an endorsement split dollar life insurance program, hereafter called the “Program,” and to make it available to [names of key employees] [officers of the organization] [other eligibility description], hereafter called the "Eligible Participant(s)" because of the valuable services performed; and

**Whereas**, the purchase of life insurance policies with appropriate face amounts and benefits from Principal National Life Insurance Company or Principal Life Insurance Company, Des Moines, Iowa, is desirable for purposes of providing endorsement split‑dollar benefits.

**Therefore, be it resolved**, that such a Program for the Eligible Participants is hereby adopted, subject to the terms of the Agreement attached hereto in specimen form, incorporated herein by this reference and made a part hereof as if fully set out herein.

**Be it further resolved**, that the appropriate officers of the organization are hereby authorized and directed to take the necessary steps to institute such a Program and to notify all Eligible Participants of its existence and to pay premiums from organization funds as may be required.

**In witness whereof,** I have hereunto set my hand and the seal of the organization in the city of \_\_\_\_, State of \_\_\_\_, on the \_\_\_\_day of \_\_\_\_\_\_\_\_, 20\_\_.

(Corporate Seal and other formalities

of execution in compliance with local law \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

should be in accordance therewith.) (Signature of Secretary)

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Name – print)

**Sample document only**

**Clients must consult legal counsel**

**Split Dollar Insurance Agreement for Tax-Exempt Organizations Endorsement Method**

This Agreement, entered into this day of \_\_\_\_\_\_, 20 \_\_\_, by and between
 (Name) , hereafter called the “Organization,” and (Name) , hereafter called the “Insured Participant.”

**Witnesseth**:

**Whereas**, the Eligible Participant is a valuable and efficient employee of the Organization and has been employed since (Date);

**Whereas**, the Eligible Participant has agreed to continue such service and the Organization desires that he/she do so; and

**Whereas**, in the continuation of such relationship the parties desire to enter into an endorsement split dollar agreement in order to provide insurance protection for the benefit of the Eligible Participant;

**Now therefore,** in consideration of the services heretofore rendered and to be rendered by the Eligible Participant and of the mutual covenants contained herein, the parties hereto agree as follows:

**1. Purchase of insurance.** The Organization shall apply to Principal National Life Insurance Company or Principal Life Insurance Company, Des Moines, Iowa, hereafter called the “Insurer,” for a life insurance policy, “Policy” on the life of the key participant in the face amount of $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Death benefit coverage under this Agreement is initially dependent upon underwriting approval by the Insurer, and issuance of the Policy. Upon such underwriting approval and issuance of the Policy, the Eligible Participant shall hereafter be referred to as the “Insured Participant.”

**2. Ownership of policy.** The Organization shall be the sole and absolute owner of the Policy, and may exercise all ownership rights granted to the owner by the terms of the Policy, except as may otherwise be provided herein.

**3. Premiums.** All of the premiums shall be paid by the Organization as they become due.

**4. Tax treatment.** This Agreement is intended to comply with Treasury Regulations governing split dollar arrangements that receive economic benefit treatment for income tax purposes. It is intended that the Insured Participant has no current access to cash values (if any) in the policy, and the death benefit available to the Insured Participant’s named beneficiary(ies) in the event of the Insured Participant’s death while the Policy and this Agreement are in force shall be established under the Beneficiary provisions (Section 5.) below.

***[Note to Attorney****:* *Generally, an endorsement split dollar arrangement is taxed as described above. However, a different outcome is possible if the life insurance is a guaranteed issue contract* ***and*** *the employer has group term life insurance from the same carrier as the guaranteed issue contract. For details, see* [*BB12653*](https://principalfinancial.seismic.com/app#/contentmanager/detail/1/124315db-80bc-4453-89eb-695878bf1988/info/LIST/title?versionId=15222818-14f7-458c-9121-c04979726243&searchId=568b937d-f974-4c6f-a4c7-8cbef0e844d8)*.*

**5. Beneficiary provisions.** A separate Endorsement Split Dollar Benefit Instructions form ([DD 914E)](https://advisors.principal.com/publicvsupply/GetFile?fm=DD914E-2&ty=PDF&requestFromPortal=true&JSPPageURLBase=/wps/myportal/advisor/forms-materials/all-forms-materials/virtual-supply/) shall be completed, signed, and submitted to Principal Financial Group®. In the event of the Insured Participant’s death while the Policy is in force, the Policy’s death benefit proceeds shall be paid in accordance with the terms of the policy and the most up-to-date beneficiary instructions on file with Principal Financial Group®.

*[****Note to Attorney****: Under Form DD914E, the Insured Participant may reserve the right to change his or her designated beneficiary(ies) or give such right to the primary beneficiary(ies). Generally, the Insured Participant will wish to reserve the right to change his or her beneficiary designation. Such right will, however, cause the death proceeds to be included in the Insured Participant’s estate for federal estate tax purposes. In rare cases, the right might, instead, be given to the primary beneficiary (typically an irrevocable life insurance trust for the benefit of children). In such case, there is a reasonable argument that the death proceeds paid to the designated beneficiary would not be included in the Insured Participant’s estate assuming the Insured Participant lives three years from the date such right to change the beneficiary is transferred to the irrevocable life insurance trust or other primary beneficiary.]*

**6. Supplemental agreements.** If the Policy is issued with a supplemental agreement providing for waiver of (1) monthly premium charges or (2) specified premiums in the event of the Insured Participant's disability, or for any additional death benefit, the additional premium for such benefits shall be paid by the Organization.

**7. Fiduciary provisions.** The (e.g. President) of the Organization is hereby designated as the "Named Fiduciary" for the endorsement split dollar program (hereafter called the "Program") established by this Agreement, and he or she shall have the authority to control and manage the operation and administration of such Program.

**8. Allocation of fiduciary responsibilities.** The Named Fiduciary may allocate his or her responsibilities for the operation and administration of the Program, including the designation of persons to carry out fiduciary responsibilities under the Program. The Named Fiduciary shall effect any such allocation of his or her responsibilities by delivering to the Organization a written instrument signed by him or her that specifies the nature and extent of the responsibilities allocated, including the persons who are designated to carry out those fiduciary responsibilities under the Program, together with a signed acknowledgment of their acceptance.

**9. Program administrator.** The Named Fiduciary is hereby designated as the “Program Administrator” of this Program.

**10. Claims procedure.** The following claims procedure shall apply to the Program:

**A.** **Filing of a claim for benefits.** The Insured Participant or the beneficiaries of the Policy shall make a claim for the benefits provided under the Policy in the manner provided in the Policy.

**B.** **Claim approval or denial with respect to program benefits.** With respect to a claim for benefits, the Program Administrator shall review and make decisions on claims for benefits. The Program Administrator shall have complete and sole discretionary authority to determine eligibility for benefits and to construe the terms of the Program.

**C.** **Notification to claimant of decision.** If a claim is wholly or partially denied, notice of the decision, meeting the requirements of paragraph D. following, shall be furnished to the claimant within a reasonable period of time after the claim has been filed.

**D.** **Content of notice.** The Program Administrator shall provide to any claimant whose claim for benefits is denied in whole or in part a written notice setting forth, in a manner calculated to be understood by the claimant, the following:

**(1)** The specific reason or reasons for the denial or partial denial;

**(2)** Specific reference to pertinent Policy or Program provisions on which the denial is based;

**(3)** A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

**(4)** An explanation of the Program's claim review procedure, as set forth in paragraphs E. and F. following.

**E. Review procedure.** The purpose of the review procedure set forth in this paragraph and in paragraph F. following is to provide a procedure by which a claimant under the Program may have a reasonable opportunity to appeal a denial or partial denial of a claim and request a full and fair review. To accomplish that purpose, the claimant or a duly authorized representative:

**(1)** May request a review by written application to the Program Administrator;

**(2)** May review pertinent Program documents or agreements; and

**(3)** May submit issues and comments in writing.

A claimant (or duly authorized representative) shall have sixty (60) days following receipt of written notice of the denial of his or her claim to request a review of the denial. Such request shall be completed by filing a written application.

**F.** **Decision on review.** A decision on review of a denial of a claim shall be made in the following manner.

**(1)** The decision on review shall be made by the Program Administrator, which may in his or her discretion hold a hearing on the denied claim. The Program Administrator shall make his or her decision promptly, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing. In the event of such an extension, a decision shall be rendered as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

**(2)** The decision on review shall be in writing, and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Policy or Program provisions on which the decision is based.

**11. Termination of agreement.** Either party hereto, with or without the consent of the other, may terminate this Agreement by giving notice of termination in writing. Termination of employment, for any reason, shall terminate this Agreement. In addition, failure of the Organization to maintain a life insurance policy as specified in this Agreement, shall, upon lapse of the policy, immediately terminate this Agreement. Termination of this Agreement by one party, for any of the foregoing reasons, shall be provided by written notice to the other party within seven calendar days following such termination.

Upon termination of the Agreement for any reason, the Organization may, in its sole discretion, offer the policy for sale to the Insured Participant. The Insured Participant shall have 15 days following receipt of the Organization’s offer to complete the purchase. The fair market value of such policy shall be determined as of the date of the purchase, or the policy’s most recent monthly anniversary, following the guidance of Revenue Procedure 2005-25. In the event of purchase by the Insured Participant, the Organization agrees to execute such documents as may be necessary to transfer sole and complete ownership of the Policy to the Insured Participant.

**12. Liability of insurance company.** It is understood by the parties hereto that in issuing the Policy, the Insurer shall have no liability except as set forth in the Policy. The Insurer shall not be bound to inquire into or take notice of any of the covenants herein contained as to the Policy or as to the application of the proceeds of the Policy. Rights under the Policy may be exercised during the life of the Insured pursuant to the provisions of the Policy. Upon the death of the Insured, the Insurer shall be discharged from all liability following payment of the proceeds in accordance with the Policy provisions and without regard to this Agreement or any amendment hereof.

**13. Binding effect of agreement.** This Agreement shall be binding upon the parties hereto, their heirs, assigns, successors, executors and administrators. In the event the Organization becomes a party to any merger, consolidation or reorganization, this Agreement shall remain in full force and effect as an obligation of the Organization or its successors in interest.

**14. Notice of change in rights.** The Organization agrees to provide written notice of this Agreement, within seven calendar days, to any assignee under the specified life insurance policy, or to any other successor in interest in the life insurance policy. In addition, the Organization agrees to provide written notice to the Insured Participant, within seven calendar days, of any assignment or other change in the Organization’s rights as policy owner under the policy.

**15. Governing law.** This Agreement shall be governed and construed in accordance with the laws of the [State] [Commonwealth] of \_\_\_\_\_\_\_\_\_\_ .

**16. Amendments.** Amendments may be made to this Agreement by a written agreement signed by each of the parties and attached hereto. Additional policies of insurance on the life of the Executive may be purchased under this Agreement by amendment to Article 1. hereof.

**In witness whereof,** the parties hereto have set their hands and seals, the Organization by its duly authorized officer, on the day and year above written.

(Formalities of execution will

be governed by local law and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

should be in accordance therewith.) (Signature of Executive)

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Name – print)

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Name of Organization)

 By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Signature of Officer)

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Name – print)